

## Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 FEA-01 INT-05 OES-06 /092 W

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R 302118Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4989

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E.O. 11652: N/A

TAGS: EFIN VE

SUBJECT: GOV BORROW \$1 BILLION FROM INTERNATIONAL

BANKING CONSORTIUM

REF: CARACAS 11464

1. MINISTRY OF FINANCE ANNOUNCED SEPTEMBER 29 THAT GOV HAS AGREED TO BORROW \$1 BILLION FROM INTERNATIONAL BANKING CONSORTIUM. AGREEMENT WILL BE SIGNED IN CARACAS OCTOBER 8 BY REPRESENTATIVES OF THE CENTRAL BANK AND THE LENDING BANKS. THE FUNDS WILL BE USED TO FINANCE THE CONSOLIDATION OF SHORT TERM FOREIGN OBLIGATIONS WHICH WERE CONTRACTED BY A NUMBER OF DECENTRALIZED GOVERNMENT INSTITUTIONS AND WHICH FALL DUE DURING THE NEXT SIX MONTHS. RECENTLY ENACTED LEGISLATION PROHIBITS INDIVIDUAL AGENCIES FROM INCURRING FOREIGN DEBT AS THEY HAVE BEEN ABLE TO DO IN THE PAST.

2. CITICORP INTERNATIONAL LTD. AND MORGAN GUARANTY TRUST CO. HAVE AGREED TO TAKE \$150 MILLION AND \$100 MILLION RESPECTIVELY. OTHER CREDITORS REPORTEDLY INCLUDE ROYAL BANK OF CANADA (\$100 MILLION), CONTINENTAL  
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ILLINOIS NATIONAL BANK (\$50 MILLION), WITH VARIOUS

JAPANESE AND EUROPEAN BANKS TAKING SMALLER AMOUNTS.  
TERMS OF THE LOAN CALL FOR REPAYMENT OVER SEVEN YEARS OF  
PRINCIPAL AND INTEREST AFTER A TWO YEAR GRACE PERIOD.  
INTEREST ACCRUES AT BETWEEN SIX AND SEVEN PERCENT, AND  
IS TIED TO LONDON INTERBANK RATE.

3. IN CONVERSATION WITH EMBOFF, CITIBANK OFFICIAL  
DESCRIBED LOAN AS FIRST STEP IN DEVELOPMENT OF PRUDENT,  
LONG-RANGE, PLANNED DEBT PROGRAM, INITIATED NOW IN  
ORDER TO GAIN MAXIMUM LEVERAGE FROM VENEZUELA'S  
SIGNIFICANT FOREIGN EXCHANGE RESERVE HOLDINGS. HE  
EXPRESSED OPINION THAT VENEZUELA WOULD BECOME NET  
BORROWER IN INTERNATIONAL MONEY MARKETS WITHIN FIVE-  
TEN YEARS, AND WILL NEED EXCELLENT DEBT RECORD TO  
SUSTAIN CREDIT RATING AS OIL RESERVES BECOME DEPLETED.  
VAKY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK LOANS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**TAGS:** EFIN, VE, INTERNATIONAL BANKING CONSORTIUM  
**To:** STATE  
**Type:** TE  
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